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## Employees Beware: Employer Rights under the South Carolina Trade Secrets Act

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## EMPLOYEES BEWARE: EMPLOYER RIGHTS UNDER THE SOUTH CAROLINA TRADE SECRETS ACT

*[A]nd for secrecy, / . . . I well believe / Thou wilt not utter  
what thou dost not know; / And so far will I trust thee . . . .\**

### I. INTRODUCTION

Until recently, South Carolina businesses<sup>1</sup> enjoyed only meager protection from misappropriation of their trade secrets.<sup>2</sup> Prior to 1992, the common law and contractual agreements comprised the only relevant sources of South Carolina trade secret law. Without a statutory solution to the problem of trade secret misappropriation, South Carolina businesses had reason to be concerned about protection of their trade secrets. In 1992, to facilitate legal protection of these vital assets, South Carolina became the thirty-ninth jurisdiction to adopt legislation based on the Uniform Trade Secrets Act (Uniform Act).<sup>3</sup> In 1997, the General Assembly, apparently not satisfied with the Uniform Act's breadth, enacted the South Carolina Trade Secrets Act (Trade Secrets Act).<sup>4</sup> The Trade Secrets Act arguably establishes the most comprehensive compilation of trade

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\* WILLIAM SHAKESPEARE, THE FIRST PART OF KING HENRY THE FOURTH act 2, sc. 3. lines 112-15 (Booklovers ed., The Univ. Soc'y 1901).

1. Throughout this article the author uses the term "business" to include all forms of businesses, including corporations, partnerships, limited liability companies, and non-profit enterprises. The South Carolina Trade Secrets Act, by omission of any term of art, appears to apply to all such entities.

2. See *Lowndes Prods., Inc. v. Brower*, 259 S.C. 322, 333, 191 S.E.2d 761, 767 (1972) (per curiam) (refusing to enjoin the defendants' future use of plaintiff's trade secrets but allowing plaintiff to recover damages that resulted from misappropriation). *Lowndes* is the only case in which a South Carolina court has recognized that a business's trade secrets were misappropriated.

3. UNIF. TRADE SECRETS ACT (amended 1985), 14 U.L.A. 433 (1990). In 1991, Professor Day of the University of South Carolina School of Law noted that thirty-seven states and the District of Columbia had adopted the Uniform Act and remarked: "The time has come for South Carolina to join the growing list of states that have already adopted, or are in the process of adopting, the [Uniform Act]." Richard E. Day, *Protection of Trade Secrets in South Carolina*, 42 S.C. L. REV. 689, 693 (1991). South Carolina responded the next year by enacting its version of the Uniform Act. See S.C. CODE ANN. §§ 39-8-1 to -11 (Law. Co-op. Supp. 1996) (repealed 1997). Ohio, Missouri, and Vermont, have since followed suit. South Carolina's version varied slightly from the Uniform Act, though not in substance. In comparison, the South Carolina Trade Secrets Act includes several additional provisions unique to statutory trade secret law. See *infra* notes 31-33 and accompanying text.

4. S.C. CODE ANN. §§ 39-8-10 to -130 (Law. Co-op. Supp. 1997). The Trade Secrets Act repealed the statutory sections that comprised the former act.

secret laws in the United States. Accordingly, South Carolina's trade secret laws now provide significant protection to businesses operating within the state.

The 1997 legislation specifically addresses employee misappropriation of trade secrets.<sup>5</sup> The provision enumerates both an employee's duty to refrain from using or disclosing an employer's trade secrets and the remedies afforded an employer when its employee breaches those duties.<sup>6</sup> Traditionally, the employer-employee relationship was governed by the common law, which in some cases was supplemented by private agreements between the parties.<sup>7</sup> The Trade Secrets Act preempts the common law when they are in conflict; however, the common law supplements the Act when the statutory provisions are inadequate.<sup>8</sup> The Act has thus become a third source of trade secret law in South Carolina.

Business competition makes trade secrets significant assets. However, not every process or method used by a business constitutes a protectable trade secret. While a trade secret must be secret,<sup>9</sup> absolute secrecy is not required.<sup>10</sup> Without sacrificing protection, the owner of a trade secret may disclose it to another "in confidence, and under an implied obligation not to use or disclose it."<sup>11</sup> Accordingly, an employer may properly disclose its secrets to its

5. Section 39-8-30, which is unique to South Carolina, states in relevant part:

(A) A trade secret endures and is protectable and enforceable until it is disclosed or discovered by proper means.

(B) Every employee who is informed of or should reasonably have known from the circumstances of the existence of any employer's trade secret has a duty to refrain from using or disclosing the trade secret without the employer's permission independently of and in addition to any written contract of employment, secrecy agreement, noncompete agreement, nondisclosure agreement, or other agreement between the employer and the employee.

(C) A person aggrieved by a misappropriation, wrongful disclosure, or wrongful use of his trade secrets may bring a civil action to recover damages incurred as a result of the wrongful acts and to enjoin its appropriation, disclosure, use, or wrongful acts pertaining to the trade secrets.

S.C. CODE ANN. § 39-8-30(A) to (C) (Law. Co-op. Supp. 1997).

6. § 39-8-30(B), (C).

7. S.C. CODE ANN. § 39-8-110 (Law. Co-op. Supp. 1997).

8. *See id.*

9. According to the Restatement of Torts, "[t]he subject matter of a trade secret must be secret." RESTATEMENT OF TORTS § 757 cmt. b (1939). Moreover, the United States Supreme Court has noted that "[t]he subject of a trade secret . . . must not be of public knowledge or of a general knowledge in the trade or business." *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 475 (1974).

10. *See, e.g., Dionne v. Southeast Foam Converting & Packaging, Inc.*, 397 S.E.2d 110, 113 (Va. 1990) (stating that the owner of a trade secret may disclose it, even to a stranger, as long as the secret is disclosed in confidence).

11. *Kewanee Oil*, 416 U.S. at 475 (quoting *Cincinnati Bell Foundry Co. v. Dodds*, 10 Ohio Dec. Reprint 154, 156 (Super. Ct. 1887)).

employees as long as the disclosure is confidential.<sup>12</sup>

When an employer discloses a trade secret to an employee, the employee acquires both a common law obligation<sup>13</sup> and, under the Trade Secrets Act, a statutory obligation<sup>14</sup> not to reveal the information to a third party. Under the common law, this obligation persists both during and following the term of employment.<sup>15</sup> Although the Trade Secrets Act does not codify the perpetuity of the obligation, it does state that a contractual duty not to disclose trade secrets "must not be considered void or unenforceable or against public policy for lack of a durational or geographical limitation."<sup>16</sup> Even though many courts recognized the existence of this duty, a clear standard of employee conduct had yet to develop.<sup>17</sup> The common law remained in a state of disarray until the Uniform Act, promulgated in 1979,<sup>18</sup> unified and clarified the case law.<sup>19</sup>

Until South Carolina's enactment of the Trade Secrets Act, no state had

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12. *Id.* The Supreme Court recognized that disclosure to employees is a necessary aspect of the business relationship because only by that disclosure can the trade secret be used as intended. *Id.*

13. *See, e.g., Vendo Co. v. Long*, 102 S.E.2d 173, 175 (Ga. 1958) ("Trade secrets are the property of the employer and cannot be taken or used by the employee for his own benefit . . ."); *Fisher Org., Inc. v. Ryan*, 470 N.Y.S.2d 968, 969 (Civ. Ct. 1983) ("Employees may not utilize information obtained through their confidential employment relationship with the employer to the detriment of their employer where the information was obtained by the employer through years of business effort and advertising."); *Berry v. Goodyear Tire & Rubber Co.*, 270 S.C. 489, 491, 242 S.E.2d 551, 552 (1978) ("An employee has a duty of fidelity to his employer.") (citing *Lowndes Prods., Inc. v. Brower*, 259 S.C. 322, 191 S.E.2d 761 (1972) (per curiam)).

14. *See* S.C. CODE ANN. § 39-8-30(B) (Law. Co-op. Supp. 1997).

15. *See, e.g., Sigma Chem. Co. v. Harris*, 586 F. Supp. 704, 710 (E.D. Mo. 1984) (upholding the validity of a covenant not to reveal trade secrets that lacked a time limit because an employee's duty not to disclose trade secrets is "temporally unlimited").

16. S.C. CODE ANN. § 39-8-30(D) (Law. Co-op. Supp. 1997); *see also infra* notes 40-43 and accompanying text.

17. As one attorney has noted, "So here we find an area where the common law has fumbled the ball as badly as a hippopotamus playing tiddly winks." WILLIAM H. FRANCIS & ROBERT C. COLLINS, *CASES AND MATERIALS ON PATENT LAW* 39 (4th ed. 1995) (quoting Tom Arnold's remarks on "Rights in Trade Secrets that are Not Secret" at the Institute of Patent Law in 1963).

18. The National Conference of Commissioners on Uniform State Laws approved the original version of the Uniform Act in 1979. Amendments to the Uniform Act were later approved in 1985. *See* UNIF. TRADE SECRETS ACT (amended 1985), 14 U.L.A. 433 (1990) (historical note).

19. A prefatory note to the Uniform Act provides:

Like traditional trade secret law, the Uniform Act contains general concepts. The contribution of the Uniform Act is substitution of unitary definitions of trade secret and trade secret misappropriation, and a single statute of limitations for the various property, quasi-contractual, and violation of fiduciary relationship theories of noncontractual liability utilized at common law. The Uniform Act also codifies the results of the better reasoned cases concerning the remedies for trade secret misappropriation.

*Id.* at 435 (prefatory note). *See generally* Comment, *Theft of Trade Secrets: The Need for a Statutory Solution*, 120 U. PA. L. REV. 378 (1971) (arguing for a legislative solution that would provide uniformity to and resolve the confusion surrounding the trade secret laws).

codified the common-law principles regarding trade secrets in the employer-employee context.<sup>20</sup> By specifically addressing the employer-employee relationship, the Trade Secrets Act provides significant protection to South Carolina employers. The trade secrets acts enacted by other states lack this important addition. Therefore, the problem of employee misappropriation will persist, at least at the national level, until such a provision is uniformly accepted.

To fully comprehend the effects that the Trade Secrets Act is likely to have on South Carolina business practices, the scope of the term "trade secret" must be defined. Part II of this article provides a preliminary discussion of trade secrets and distinguishes trade secrets from other forms of intellectual property. Part III provides an analysis of the Trade Secrets Act and the impact it is likely to have on South Carolina businesses by first examining how trade secret laws affect the employer-employee relationship and then analyzing the remedies afforded employers for employee misappropriation.

## II. TRADE SECRET OR PATENT PROTECTION?

Before businesses expend time and resources developing trade secrets, it is important that they understand the scope of the protection the law affords such secrets, especially as compared to the protection conferred on patented inventions. "The outstanding difference is that a patentee has a monopoly as against all the world, while the owner of a secret process has no right, except against those who have contracted, expressly or by implication, not to disclose the secret, or who have obtained it by unfair means."<sup>21</sup> Notably, the policy underlying the two realms of law are antithetical: the patent laws seek full disclosure,<sup>22</sup> while the trade secret laws by definition command secrecy.

The decision whether to pursue patent instead of trade secret protection must be made promptly, or the right to a limited monopoly<sup>23</sup> may be

20. The Trade Secrets Act devotes an entire section to the employer-employee relationship. See S.C. CODE ANN. § 39-8-30 (Law. Co-op. Supp. 1997). Although the Uniform Act addresses misappropriation generally, see UNIF. TRADE SECRETS ACT § 3 (amended 1985), 14 U.L.A. 455 (1990), it does not specifically contemplate misappropriation by an employee as does the Trade Secrets Act. See discussion *infra* Part III.A.

The Restatement (Third) of Unfair Competition discusses trade secrets in depth. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 39-45 (1993). Particularly, the Restatement addresses the duty of confidence that an employee owes to an employer and the liability that results if this duty is breached. See *id.* § 42; see also *infra* note 50 and accompanying text.

21. *Tower Mfg. Co. v. Monsanto Chem. Works*, 20 F.2d 386, 387 (S.D.N.Y. 1927).

22. See 35 U.S.C. § 112 (1994).

23. As Justice Douglas noted in *Kewanee Oil*, "Society . . . fosters a free exchange of technological information at the cost of a limited . . . monopoly." *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 496-97 (1974) (Douglas, J., dissenting). In exchange for the full disclosure of an invention, the government grants a patentee the right to exclude others from making, using, offering to sell, or selling the patented invention in the United States for a limited time. 35

abandoned.<sup>24</sup> If the holder of the information wishes to avoid public disclosure, or if patent protection is not an option, the holder must be able to recognize whether its processes or devices qualify as trade secrets. Unfortunately, part of the confusion in trade secret law stems from the lack of a precise definition of "trade secret."<sup>25</sup> For over half a century courts have applied the definition provided by the Restatement of Torts.<sup>26</sup> This definition requires that the trade secret be secret, provide "an opportunity to obtain an advantage over competitors," and be continuously used in the proprietor's business.<sup>27</sup> The Uniform Act, promulgated in 1979 and adopted by South Carolina in 1992, posits a significantly broader definition by eliminating the requirement that the

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U.S.C.A. § 271(a) (West Supp. 1998).

24. 35 U.S.C. § 102(c) (1994); *see* *Lutzker v. Plet*, 843 F.2d 1364 (Fed. Cir. 1988). In *Lutzker* the Federal Circuit noted:

The courts have consistently held that an invention, though completed, is deemed abandoned, suppressed, or concealed if, within a reasonable time after completion, no steps are taken to make the invention publicly known. Thus, failure to file a patent application; to describe the invention in a publicly disseminated document; or to use the invention publicly, have been held to constitute abandonment, suppression or concealment.

*Id.* at 1366 (quoting *Correge v. Murphy*, 705 F.2d 1326, 1330 (Fed. Cir. 1983) (quoting *International Glass Co. v. United States*, 408 F.2d 395, 403 (Ct. Cl. 1969) (citations omitted))); *see also* *MacBeth-Evans Glass Co. v. General Elec. Co.*, 246 F. 695, 707 (6th Cir. 1917) (declaring that an inventor had abandoned the right to secure a patent on an invention because he had exploited the invention for over nine years in secret).

25. As the Restatement of Torts noted, "An exact definition of a trade secret is not possible." RESTATEMENT OF TORTS § 757 cmt. b (1939). The Trade Secrets Act provides:

"Trade secret" means:

(a) information including, but not limited to, a formula, pattern, compilation, program, device, method, technique, product, system, or process, design, prototype, procedure, or code that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by the public or any other person who can obtain economic value from its disclosure or use, and

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

S.C. CODE ANN. § 39-8-20(5)(a) (Law. Co-op. Supp. 1997).

26. *See, e.g., Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 474-75 (1974) (quoting the "widely relied-upon definition of a trade secret found at Restatement of Torts § 757, comment b (1939)"). The Restatement of Torts provides:

A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. . . . A trade secret is a process or device for continuous use in the operation of the business.

RESTATEMENT OF TORTS § 757 cmt. b (1939).

27. RESTATEMENT OF TORTS § 757 cmt. b (1939).

trade secret be continuously used by the business.<sup>28</sup>

Although the Trade Secrets Act retains the definition stated in the Uniform Act, it adds a provision which recognizes that otherwise *de minimis* secrets can nonetheless be protected if, as a collective whole, they make a "substantial difference" in efficiency or are the basis of a business strategy.<sup>29</sup> This addition acknowledges the divergence of traditional trade secret law from patent law: an "invention" may be worthy of some protection though it does not satisfy the novelty, utility, and nonobviousness requirements necessary for a valid patent.<sup>30</sup> Under the Trade Secrets Act, such know-how may be protected as a trade secret, with resort to the judicial system in the event of misappropriation.

### III. THE SOUTH CAROLINA TRADE SECRETS ACT

A significant portion of the Trade Secrets Act reiterates the language of the Uniform Act. However, the General Assembly added three provisions not present in either the Uniform Act or any statutory scheme enacted by another jurisdiction.<sup>31</sup> One provision affords protection to trade secret owners during

28. UNIF. TRADE SECRETS ACT § 1 cmt. (amended 1985), 14 U.L.A. 439 (1990). This comment provides:

The definition of "trade secret" contains a reasonable departure from the Restatement of Torts (First) definition which required that a trade secret be "continuously used in one's business." The broader definition in the proposed Act extends protection to a plaintiff who has not yet had an opportunity or acquired the means to put a trade secret to use. The definition includes information that has commercial value from a negative viewpoint, for example the results of lengthy and expensive research which proves that a certain process will *not* work could be of great value to a competitor.

*Id.*

29. S.C. CODE ANN. § 39-8-20(5)(b) (Law. Co-op. Supp. 1997). This provision states:

A trade secret may consist of a simple fact, item, or procedure, or a series or sequence of items or procedures which, although individually could be perceived as relatively minor or simple, collectively can make a substantial difference in the efficiency of a process or the production of a product, or may be the basis of a marketing or commercial strategy. The collective effect of the items and procedures must be considered in any analysis of whether a trade secret exists and not the general knowledge of each individual item or procedure.

*Id.*

30. See 35 U.S.C. §§ 101-03 (1994) (detailing the basic requirements of patentability); *Graham v. John Deere Co.*, 383 U.S. 1 (1966). In *Kewanee Oil* the Supreme Court recognized the significance of trade secret protection of unpatentable know-how: "Trade secret law encourages the development and exploitation of those items of lesser or different invention than might be accorded protection under the patent laws, but which items still have an important part to play in the technological and scientific advancement of the Nation." *Kewanee Oil*, 416 U.S. at 493.

31. See S.C. CODE ANN. §§ 39-8-30, -60(B) to (J), -100 (Law. Co-op. Supp. 1997). No other jurisdiction's trade secrets act includes the language of these sections.

The General Assembly also modified the Uniform Act's language in other sections, though not in substance. Most of these modifications add, or attempt to add, clarity to the language.

the discovery phase of a civil action,<sup>32</sup> and another protects owners during criminal proceedings.<sup>33</sup> The third provision, section 39-8-30, involves the employer-employee relationship.

#### A. *The Employer-Employee Relationship*

As a matter of pre-Uniform Act common law, employees were prohibited from divulging trade secrets received from employers in confidence.<sup>34</sup> Because the Uniform Act does not directly refer to *employee* misappropriation of trade secrets, the common law has continued to control.<sup>35</sup> In contrast, the Trade Secrets Act provides that an "employee who is informed of or should reasonably have known from the circumstances of the existence of an employer's trade secret" may not divulge the secret without the employer's permission.<sup>36</sup> This permission must be obtained "independently of and in addition to any written contract of employment, secrecy agreement, noncomplete agreement, nondisclosure agreement, or other agreement between

*Compare, e.g.,* S.C. CODE ANN. § 39-8-40(C) (Law. Co-op. Supp. 1997) ("Upon a finding of wilful, wanton or reckless disregard of the plaintiff's rights, the court may award separate exemplary damages . . ."), *with* UNIF. TRADE SECRETS ACT § 3 (amended 1985), 14 U.L.A. 455 (1990) ("If willful and malicious misappropriation exists, the court may award exemplary damages . . .").

32. *See* S.C. CODE ANN. § 39-8-60 (Law. Co-op. Supp. 1997). Although the Uniform Act likewise requires a court to protect trade secrets during discovery, UNIF. TRADE SECRETS ACT § 5 (amended 1985), 14 U.L.A. 461 (1990), it does not do so to the same extent as the Trade Secrets Act. For a thorough analysis of section 39-8-60, see Mark V. Thigpen, Comment, *A New Age of Discovery: Your Trade Secrets Are Safe in South Carolina*, 49 S.C. L. REV. 615 (1998).

33. *See* S.C. CODE ANN. § 39-8-100 (Law. Co-op. Supp. 1997). This section directs a court to issue a protective order "[i]f the court finds that a trade secret may be disclosed during a criminal proceeding." § 39-8-100(A). After addressing what the protective order may properly include, this section states that "the court may, in its discretion, take other appropriate measures to protect against disclosure of trade secrets." § 39-8-100(B).

34. *See* 30 C.J.S. *Employer-Employee Relationship* § 123 (1992); *see also supra* note 13 and accompanying text.

35. The only language in the Uniform Act that might conceivably cover this situation provides:

(2) "Misappropriation" means:

...  
(ii) disclosure or use of a trade secret of another without express or implied consent by a person who

...  
(B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was

...  
(II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use . . .

UNIF. TRADE SECRETS ACT § 1(2) (amended 1985), 14 U.L.A. 438 (1990).

36. S.C. CODE ANN. § 39-8-30(B) (Law. Co-op. Supp. 1997). This language from the Trade Secrets Act is in addition to the language used by the Uniform Act. *See supra* note 35.



the employer and the employee."<sup>37</sup>

Significantly, the Trade Secrets Act is cumulative with existing contractual remedies. The Act "does not affect . . . contractual remedies, whether or not based upon misappropriation of a trade secret or protection of a trade secret."<sup>38</sup> Agreements of the type described in the Act, particularly covenants not to compete, are widely accepted in business, although narrowly construed by the courts.<sup>39</sup> Generally, courts are reluctant to enforce covenants not to compete or nondisclosure agreements unless limited geographically and temporally to that reasonably required for the protection of legitimate business interests.<sup>40</sup> However, this is not the case when the business interests are trade secrets.<sup>41</sup> Section 39-8-30(D) of the Trade Secrets Act codifies the common law protection of trade secrets by providing that "[a] contractual duty . . . must not be considered void or unenforceable or against public policy for lack of a durational or geographical limitation."<sup>42</sup> As a result, even a blanket prohibition against disclosing an employer's trade secrets is reasonable.<sup>43</sup>

However, an unrestrained contractual agreement not to reveal trade secrets

37. § 39-8-30(B).

38. S.C. CODE ANN. § 39-8-110(B)(1) (Law. Co-op. Supp. 1997). This provision adopts in substance the language used in the Uniform Act. *See* UNIF. TRADE SECRETS ACT § 7(b)(1) (amended 1985), 14 U.L.A. 463 (1990).

39. *See, for example, Almers v. South Carolina National Bank*, 265 S.C. 48, 217 S.E.2d 135 (1975), in which the supreme court noted: "[A]greements not to compete, while looked upon with disfavor, critically examined, and construed against any employer, will be upheld as enforceable if such agreement is reasonable as to territorial extent of the restraint and the period for which the said restraint is to be imposed." *Id.* at 51, 217 S.E.2d at 136. The court further stated that "[w]hile noncompetition clauses are not favored, they are tolerated, if reasonable, to protect some legitimate business interest, be it trade secrets, trade lists, confidentiality, etc." *Id.* at 58-59, 217 S.E.2d at 140.

40. *See, e.g., Standard Register Co. v. Kerrigan*, 238 S.C. 54, 119 S.E.2d 533 (1961) (holding that a restrictive covenant prohibiting a discharged employee from selling to the accounts in his former territory for two years was a reasonable restraint of trade). In South Carolina, a covenant not to compete "will ordinarily be upheld if necessary for protection of the legitimate interest of the employer, is reasonably limited with respect to time and place, is not unduly harsh and oppressive, is reasonable, and supported by valuable consideration." *Cafe Assocs., Ltd. v. Gerngross*, 305 S.C. 6, 9, 406 S.E.2d 162, 164 (1991).

41. *See, e.g., National Starch Prods., Inc. v. Polymer Indus., Inc.*, 79 N.Y.S.2d 357, 363 (App. Div. 1948) ("[Covenants not to compete] may be valid even if unlimited [as to time and place], to the extent that they are drawn so as to prevent the disclosure of actual trade secrets which have been learned in confidence . . .").

42. S.C. CODE ANN. § 39-8-30(D) (Law. Co-op. Supp. 1997). A majority of courts have embraced this proposition without hesitation. *See, e.g., Larx Co. v. Nicol*, 28 N.W.2d 705, 711 (Minn. 1947) (noting that the majority of courts accept the validity of covenants not to compete regarding trade secrets, even though the agreements may be geographically and temporally unlimited).

43. Such a prohibition is clearly proper. Otherwise, employees would be permitted to disclose their employers' secret information after a certain period of time or outside a defined geographical area. If employees were so permitted, this would limit the proprietor's perpetual right to the secrecy of its know-how.

may be held invalid for other reasons. For example, in *Carolina Chemical Equipment Co. v. Muckenfuss*<sup>44</sup> the South Carolina Court of Appeals held invalid a covenant not to disclose trade secrets because it was “harsh and oppressive in curtailing the legitimate efforts of Muckenfuss to earn a livelihood.”<sup>45</sup> The court determined that the employer’s definition of trade secret was so broad “that virtually all of the information Muckenfuss acquired during his employment would fall within its definition.”<sup>46</sup>

Frequently, cases involving employee misappropriation arise when the employee leaves the business to work for a competitor. For example, in *Lowndes Products, Inc. v. Brower*<sup>47</sup> the South Carolina Supreme Court held that certain employees of Lowndes misappropriated the employer’s trade secrets when the employees left, formed their own corporation, and took with them Lowndes’ secrets.<sup>48</sup> Certainly, section 39-8-30 was enacted to expedite the disposition of such a situation. Section 39-8-30(B) provides, in relevant part, that “[e]very employee . . . has a duty to refrain from using or disclosing [an employer’s] trade secret.”<sup>49</sup> However, the section makes no distinction between current employees and former employees.<sup>50</sup> Accordingly, the section presumably does not apply to persons that are no longer employees.<sup>51</sup> As a

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44. 322 S.C. 289, 471 S.E.2d 721 (Ct. App. 1996).

45. *Id.* at 294, 471 S.E.2d at 724. The clause at issue stated, in relevant part, as follows:

[Muckenfuss] agrees to not divulge any trade secrets of the Corporation. Trade secrets means any knowledge or information concerning any process, product, or customer of the Corporation and more generally any knowledge or information concerning any aspect of the business of the Corporation which [could], if divulged to a direct or indirect competitor, adversely affect the business of the Corporation, its prospects or competitive position.

*Id.* at 293, 471 S.E.2d at 723.

46. *Id.* at 296, 471 S.E.2d at 725. Section 39-8-30(D) mirrors the dissent’s language. Compare S.C. CODE ANN. § 39-8-30(D) (Law. Co-op. Supp. 1997) (“A contractual duty not to disclose or divulge a trade secret, to maintain the secrecy of a trade secret, or to limit the use of a trade secret must not be considered void or unenforceable or against public policy for lack of a durational or geographical limitation.”), with *Muckenfuss*, 322 S.C. at 301, 471 S.E.2d at 727 (Cureton, J., dissenting) (“Agreements not to divulge confidential information, unlike noncompetition agreements, may be valid and enforceable under certain circumstances even though they are unlimited as to time and place.”).

47. 259 S.C. 322, 191 S.E.2d 761 (1972).

48. *Id.* at 333-35, 191 S.E.2d at 767-68.

49. S.C. CODE ANN. § 39-8-30(B) (Law. Co-op. Supp. 1997).

50. The Restatement (Third) of Unfair Competition, by comparison, *does* make this distinction. Section 42, entitled “Breach of Confidence by Employees,” provides: “An employee or former employee who uses or discloses a trade secret owned by the employer or former employer in breach of a duty of confidence is subject to liability for appropriation of the trade secret under the rule stated in § 40 [regarding appropriation of trade secrets].” RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 42 (1995) (emphasis added).

51. The statute should have specifically included misappropriation by former employees to the detriment of their former employers. However, the use of the phrase “every employee” in section 39-8-30(B) may be interpreted to include former employees as well as current employees. Indeed, because statutory construction of the section must begin with the plain meaning of its

result, the defendants' actions in *Lowndes* may not be covered under section 39-8-30(B) because the misappropriation occurred *after* the employees resigned.<sup>52</sup> Considering the frequency with which former employees have misappropriated their former employers' trade secrets, the Trade Secrets Act should have made this distinction explicit. Because the Trade Secrets Act is silent on this point, the common law remains the primary source of law, subject to any valid private agreement between the employer and employee.

Not all employees who subsequently work for a competitor may be charged with misappropriation for simply utilizing knowledge acquired during their former employment. Under the common law, an employee may properly take and utilize the experience acquired while working for a former employer.<sup>53</sup> Moreover, although private nondisclosure agreements are certainly enforceable as to trade secrets, any such agreement that purports to prohibit a former employee's use of the general knowledge and skills acquired during his former employment will be invalidated as an unreasonable restraint on trade.<sup>54</sup> To

language, a court may read the word "former" into the section. Still, to give some words of advice, "If [the General Assembly] does not mean what it says it must say so." A.P. HERBERT, UNCOMMON LAW 313 (4th ed. 1942) (quoting Lord Mildew in the fictional case *Bluff v. Father Gray*).

52. According to the Restatement (Third) of Unfair Competition, "[t]he rules governing liability for the appropriation of trade secrets play a more central role in regulating the behavior of employees after the termination of the employment relationship." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 42 cmt. b (1993).

53. See, e.g., *Carolina Chem. Equip. Co. v. Muckenfuss*, 322 S.C. 289, 294, 471 S.E.2d 721, 724 (Ct. App. 1996) ("When an employee leaves a job, he is entitled to take the skills and general knowledge he has either acquired or increased during his employment . . ."); see also *Structural Dynamics Research Corp. v. Engineering Mechanics Research Corp.*, 401 F. Supp. 1102 (E.D. Mich. 1975); *American Chain & Cable Co. v. Avery*, 143 U.S.P.Q. (BNA) 126, 129 (Conn. Super. Ct. 1964) ("An employee has a right to grow with his experience, and he can carry away for general use his skill and everything that he has learned at his place of employment, except trade secrets."). In *Structural Dynamics* the district court noted:

Where the employer assigns the employee to a specific development task and commits considerable resources and supervision to the project, a confidential relationship arises that prevents the employee from using or disclosing the fruits of his research. When, on the other hand, the developments are the product of the application of the employee's own skill, "without any appreciable assistance by way of information or great expense or supervision by [the employer] . . .," he has "an unqualified privilege" to use and disclose the trade secrets so developed.

*Structural Dynamics*, 401 F. Supp. at 1112 (citation omitted) (quoting *Wexler v. Greenberg*, 160 A.2d 430, 436-37 (Pa. 1960)).

54. The proposition has been stated in the negative as follows:

Nondisclosure covenants . . . are not restraints on trade. . . . [They] do not prohibit the former employee from using, *in competition with the former employer*, the *general* knowledge, skill, and experience acquired in former employment. The nondisclosure covenant prevents only the disclosure of trade secrets and confidential information acquired by the former employee.

*Zep Mfg. Co. v. Harthcock*, 824 S.W.2d 654, 663 (Tex. App. 1992, no writ) (citation omitted).

sustain the latter type of agreement would give employers the luxury of constraining their employees' right to work elsewhere.

Although competitor employers may not appropriate for their own use the trade secrets that new employees bring with them, the trade secrets may be obtained by proper means. Both the Uniform Act and the Trade Secrets Act define *improper* means<sup>55</sup> and provide that secrets may not be so acquired. Neither Act defines the proper means that may be used to obtain trade secrets. However, the Restatement of Torts<sup>56</sup> and the Uniform Act<sup>57</sup> delineate several examples of proper means, including independent invention<sup>58</sup> and reverse engineering.<sup>59</sup> Ensuring that trade secrets are acquired by proper means is vital to furthering the nation's commercial and economic interests in promoting research and development of new ideas.

For businesses in South Carolina hoping to protect their trade secrets and avoid misappropriation, "proper means" of trade secret acquisition is not the primary concern. Section 39-8-30(A) provides that "[a] trade secret endures and is protectable and enforceable until it is [either] *disclosed* or *discovered by proper means*."<sup>60</sup> Presumably, "disclosed," for purposes of this section, refers to a purposeful communication of the information by the business. Accordingly, once the information is disclosed, the business cannot complain about competing businesses that exploit its former secrets. Similarly, if an entity discovers the business's technology by proper means, then the business

55. The Uniform Act provides that "'Improper means' includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means." UNIF. TRADE SECRETS ACT § 1(1) (amended 1985), 14 U.L.A. 437 (1990). Although the Trade Secrets Act retains this language, it also includes breach of "duties imposed by the common law, statute, contract, license, protective order, or other court or administrative order." S.C. CODE ANN. § 39-8-20(1) (Law. Co-op. Supp. 1997).

56. See RESTATEMENT OF TORTS § 757 cmt. a (1939). The comment noted:

One who discovers another's trade secret properly, as, for example, by inspection or analysis of the commercial product embodying the secret, or by independent invention, or by gift or purchase from the owner, is free to disclose it or use it in his own business without liability to the owner.

*Id.*

57. UNIF. TRADE SECRETS ACT § 1 cmt. (amended 1985), 14 U.L.A. 438 (1990). According to the comment, "Proper means include: 1. Discovery by independent invention; 2. Discovery by 'reverse engineering' . . . ; 3. Discovery under a license from the owner of the trade secret; 4. Observation of the item in public use or on public display; 5. Obtaining the trade secret from published literature." *Id.*; cf. *SI Handling Sys., Inc. v. Heisley*, 753 F.2d 1244, 1255 (3d Cir. 1985) ("Matters [that] are fully disclosed . . . and are susceptible to 'reverse engineering' . . . cannot be protected as trade secrets.") (citation omitted), *cited with approval* in *Carolina Chem. Equip. Co. v. Muckenfuss*, 322 S.C. 289, 296, 471 S.E.2d 721, 724-25 (Ct. App. 1996).

58. RESTATEMENT OF TORTS § 757 cmt. a (1939).

59. S.C. CODE ANN. § 39-8-1 cmt. (Law. Co-op. Supp. 1997). "Reverse engineering" means to start "'with the known product and work[] backward[s] to divine the process [that] aided in its manufacture.'" *Heisley*, 753 F.2d at 1255 (quoting *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974)).

60. S.C. CODE ANN. § 39-8-30(A) (Law. Co-op. Supp. 1997) (emphasis added).

that formerly used the technology in secret no longer has the right to prevent that entity from using the information. Thus, proper means of trade secret acquisition is a secondary concern in the business world. A business's primary concern should be taking steps to protect against *improper* means of trade secret acquisition, such as misappropriation.

The problem of misappropriation arises all too frequently in the context of a non-equity employee who has no personal interest, pecuniary or otherwise, in maintaining an employer's secrets. That employee's only incentive to guard secret information is derived from the duty of loyalty owed to the employer,<sup>61</sup> a duty that has significance only if an employee is interested in continuing the employment. When an employee goes to work for a competing company, this duty is eliminated.<sup>62</sup> As a result, employers need additional legal protections that discourage employee misappropriation. These protections can be found in the trade secret laws.

### *B. Remedies of the Trade Secrets Act*

The Trade Secrets Act provides substantial remedies to employers that are aggrieved by an employee's misappropriation of trade secrets, although notably less than the protections afforded by the patent laws.<sup>63</sup> Under both the Uniform Act and the Trade Secrets Act, a business seeking judicial protection of its trade secrets must initiate an action within three years after the misappropriation is discovered or should have been discovered.<sup>64</sup> South Carolina's adoption of the three-year limitation embodies the view of the majority of states.<sup>65</sup>

Even a business that is prepared to take action immediately after discovery of the misappropriation should be aware that courts have the freedom to deny a requested remedy if the business failed to take reasonable precautions to

61. See RESTATEMENT (SECOND) OF AGENCY § 387 (1958).

62. See *id.* § 396.

63. See *supra* Part II.

64. UNIF. TRADE SECRETS ACT § 6 (amended 1985), 14 U.L.A. 462 (1990); S.C. CODE ANN. § 39-8-70 (Law. Co-op. Supp. 1997). As the comment to section 6 of the Uniform Act noted, "There presently is a conflict of authority as to whether trade secret misappropriation is a continuing wrong." UNIF. TRADE SECRETS ACT § 6 cmt. (amended 1985), 14 U.L.A. 462 (1990). The drafters of the Uniform Act chose to delay the commencement of the statute of limitations period rather than adopt the "continuing wrong" approach. *Id.* However, South Carolina adopted the "continuing wrong" approach through the statutory language that "a continuing misappropriation constitutes a single claim." § 39-8-70.

65. Of the forty-two jurisdictions that have adopted legislation based on the Uniform Act, only six have extended the three-year limitations period. See GA. CODE ANN. § 10-1-766 (1994) (five years); 765 ILL. COMP. STAT. ANN. 1065/7 (West 1993) (five years); ME. REV. STAT. ANN. tit. 10, § 1547 (West 1964) (four years); MO. ANN. STAT. § 417.461 (West Supp. 1997) (five years); NEB. REV. STAT. § 87-506 (1994) (four years); OHIO REV. CODE ANN. § 1333.66 (Anderson Supp. 1996) (four years).

protect the secrets.<sup>66</sup> While an owner of a trade secret is not required to protect it from “the unanticipated, the undetectable, or the unpreventable,”<sup>67</sup> the proprietor must do something.<sup>68</sup> This pitfall arises only when businesses lack an understanding of the nature of trade secrets. A business that recognizes its processes or formulas as secrets will certainly take reasonable steps to guard them from competitors. When reasonable steps are taken, courts are more willing to allow recovery for the misappropriation.<sup>69</sup> By comparison, failure to take reasonable precautions necessarily concedes that there existed no secrets worthy of protection.<sup>70</sup> Without a trade secret, there can be no misappropriation and, accordingly, no remedy.

Assuming that the information warrants protection,<sup>71</sup> a business whose trade secret has been misappropriated may bring a civil action<sup>72</sup> to enjoin

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66. See *Lowndes Prods., Inc. v. Brower*, 259 S.C. 322, 331, 191 S.E.2d 761, 766 (1972) (per curiam).

67. *E.I. duPont deNemours & Co. v. Christopher*, 431 F.2d 1012, 1016 (5th Cir. 1970). In *Christopher*, DuPont’s failure to protect its secret process from aerial photographs taken during construction of its facility did not preclude DuPont from maintaining an action for misappropriation. The court stated: “Reasonable precautions against predatory eyes we may require, but an impenetrable fortress is an unreasonable requirement, and we are not disposed to burden industrial inventors with such a duty in order to protect the fruits of their efforts.” *Id.* at 1017.

68. See, e.g., *Future Plastics, Inc. v. Ware Shoals Plastics, Inc.*, 340 F. Supp. 1376, 1384 (D.S.C. 1972) (dismissing the complaint because the employer took no action to protect its trade secrets). In addressing what steps businesses are required to take, the South Carolina Supreme Court has stated:

“[I]f the person entitled to a trade secret wishes to have its exclusive use in his own business, he must not fail to take all proper and reasonable steps to keep it secret. He cannot lie back and do nothing to preserve its essential secret quality, particularly when the subject matter of the process becomes known to a number of individuals involved in its use or is observed in the course of manufacture within plain view of others.”

*Lowndes*, 259 S.C. at 331, 191 S.E.2d at 766 (quoting *J.T. Healy & Son, Inc. v. James A. Murphy & Son, Inc.*, 260 N.E.2d 723, 730 (Mass. 1970)). The court suggested that businesses should enter into written agreements in which persons exposed to the secret acknowledge its secrecy and vow to protect it. *Id.*

69. *Lowndes*, 259 S.C. at 333, 191 S.E.2d at 767 (denying injunctive relief to an employer because “a court of equity will not grant injunctive relief in a case where the owner of the trade secrets did not endeavor to protect itself”).

70. See, e.g., *Future Plastics*, 340 F. Supp. at 1382 (“[T]he plaintiff had no trade secret because it failed to take proper and reasonable steps to maintain secrecy.”).

71. See *Lowndes*, 259 S.C. at 327, 191 S.E.2d at 764 (“The first issue to be determined in every trade secret case is not whether there was a confidential relationship or a breach of contract or some other kind of misappropriation, but whether, in fact, there was a trade secret to be misappropriated.”); see also *Carolina Chem. Equip. Co. v. Muckenfuss*, 322 S.C. 289, 295, 471 S.E.2d 721, 724 (Ct. App. 1996) (stating that the threshold issue in a trade secrets case is whether a trade secret existed).

72. S.C. CODE ANN. § 39-8-30(C) (Law. Co-op. Supp. 1997).

additional misappropriation,<sup>73</sup> recover actual damages,<sup>74</sup> and, in the case of certain egregious conduct, recover exemplary damages<sup>75</sup> and reasonable attorney's fees.<sup>76</sup> The inclusion of the word "and" in section 39-8-30(C) indicates that the equitable and legal remedies are not mutually exclusive.<sup>77</sup> This interpretation is consistent with the view taken by courts prior to the codification of trade secret law in the employer-employee context.<sup>78</sup>

However, because of a slight departure from the Uniform Act, it is unclear what type of damages are available under the Trade Secrets Act. The Uniform Act permits a successful plaintiff to recover "both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss."<sup>79</sup> In the recently enacted Trade Secrets Act, the General Assembly retained the substance of this language but changed the "and" to an "or."<sup>80</sup> This simple change created an ambiguity because the General Assembly failed to change "both" to "either." Thus, the Trade Secrets Act now requires "both [X] or [Y]," a provision that is patently ambiguous.<sup>81</sup> If the "or" language is accepted despite the continued use of the term "both," then the damages calculation reverts back to the once-popular method described in *Sperry Rand Corp. v. A-T-O, Inc.*<sup>82</sup> In *Sperry Rand* the Fourth Circuit explained:

73. S.C. CODE ANN. § 39-8-50 (Law. Co-op. Supp. 1997).

74. S.C. CODE ANN. § 39-8-40 (Law. Co-op. Supp. 1997).

75. § 39-8-40(C).

76. S.C. CODE ANN. § 39-8-80 (Law. Co-op. Supp. 1997). A court may award reasonable attorney's fees "[i]f (1) a claim of misappropriation is made in bad faith, (2) a motion to terminate an injunction is made or resisted in bad faith, or (3) wilful misappropriation exists." *Id.*

77. Section 39-8-30(C) provides that "[a] person aggrieved by a misappropriation, wrongful disclosure, or wrongful use of his trade secrets may bring a civil action to recover damages incurred as a result of the wrongful acts and to enjoin its appropriation, disclosure, use, or wrongful acts pertaining to the trade secrets." § 39-8-30(C). This language is actually superfluous; sections 39-8-40 and 39-8-50 make it clear that damages and injunctions are readily available remedies. In the author's opinion, the General Assembly sought to combine into one section the duties and remedies that typically arise in the employer-employee relationship, thereby avoiding what would otherwise be a disheveled organization of the topic.

78. *See, e.g.,* Lowndes Prods., Inc. v. Brower, 259 S.C. 322, 333, 191 S.E.2d 761, 767 (1972) (per curiam) ("Denial of injunctive relief . . . is not inconsistent with allowing a claim for damages growing out of disloyalty on the part of employees.").

79. UNIF. TRADE SECRETS ACT § 3(a) (amended 1985), 14 U.L.A. 455 (1990).

80. *Compare id.* ("Damages can include *both* the actual loss caused by misappropriation *and* the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss." (emphasis added)), with S.C. CODE ANN. § 39-8-40(B) (Law. Co-op. Supp. 1997) ("Damages may include *both* the actual loss caused by misappropriation *or* the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss." (emphasis added)).

81. Instead of incorporating factors X and Y, the General Assembly's insertion of *or* in place of *and* would presumably allow only one of the two factors.

82. 447 F.2d 1387 (4th Cir. 1971).

There are two basic methods for assessing damages for misappropriation of trade secrets: one, the damages sustained by the victim . . . , and the other, the profits earned by the wrongdoer by the use of the misappropriated material . . . . Ordinarily a plaintiff may recover either, but not both, because to allow both would permit double recovery.<sup>83</sup>

Since *Sperry Rand*, many courts<sup>84</sup> and the Uniform Act<sup>85</sup> have abandoned the distinction, finding that *both* the plaintiff's actual losses and the misappropriator's unjust gain may be awarded, as long as there is no overlap of recovery. On the other hand, several courts have retained the *Sperry Rand* requirement that a plaintiff recover either its actual damages or the misappropriator's unjust enrichment, but not both.<sup>86</sup> However, because the courts can prevent an award of double recovery—which was the sole rationale underscoring the *Sperry Rand* requirement—such an analysis is no longer necessary. In addition, by not limiting the plaintiff's assessment of damages to a particular route, courts can maximize the potential recovery, thereby furthering the apparent purpose underlying both the Trade Secrets Act and the Uniform Act: the advancement of business interests. Hopefully, the General Assembly has not reversed the position it clearly expressed in its original adoption of the Uniform Act.<sup>87</sup>

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83. *Id.* at 1392-93 (citations omitted).

84. See, for example, *Tri-Tron International v. Velto*, 525 F.2d 432 (9th Cir. 1975), where the Ninth Circuit explained its refusal to follow *Sperry Rand*:

This circuit, however, in *Clark v. Bunker* . . . clearly indicated that the measure of damages for the wrongful misappropriation of a trade secret was not limited to the misappropriator's profits, but also included the victim's loss which might in no way be related to the benefits accruing to the misappropriator. We went on to say that the proper measure of damage was no longer damages limited to either plaintiff's loss or defendant's benefit, but included a combination of both . . . in order to make the plaintiff whole.

*Id.* at 437. In *Clark v. Bunker*, 453 F.2d 1006 (9th Cir. 1972), the Ninth Circuit rejected an attempt to limit the measure of damages to the misappropriator's profits. The court noted, "Appellants' confusion may arise from the rule antedating the unification of law and equity, that on a bill in equity a wrongdoer would be required to account for profits on a theory of unjust enrichment, but damages could be recovered only in an action at law." *Id.* at 1011.

85. See UNIF. TRADE SECRETS ACT § 3 cmt. (amended 1985), 14 U.L.A. 456 (1990).

86. See, e.g., *General Envtl. Science Corp. v. Horsfall*, 800 F. Supp. 1497, 1503 (N.D. Ohio 1992) (quoting the pertinent language of *Sperry Rand*); *Salsbury Lab., Inc. v. Merieux Lab., Inc.*, 735 F. Supp. 1555, 1578 (M.D. Ga. 1989) ("[W]hile this court must endeavor to see that Salsbury is made whole, it must do so by basing its award of damages either on Salsbury's loss, or on the unjust enrichment received by the Defendants.").

87. In the author's opinion, the General Assembly likely did not intend to change its position. While it changed "and" to "or," it retained the word "both." Thus, the "or" in section 39-8-40(B) should be read as an "and." See *Dague v. Piper Aircraft Corp.*, 418 N.E.2d 207 (Ind. 1981), where the Indiana Supreme Court observed:

While terms of this type should ordinarily be given their literal and normal



Unlike the confusing substitution of “or” in section 39-8-40(B), the added language in section 39-8-50<sup>88</sup> was clearly an intentional modification. Within section 39-8-50, which provides for injunctive relief, the General Assembly incorporated the language of the Uniform Act: “Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.”<sup>89</sup> In the Trade Secrets Act, the General Assembly added that “[s]uch reasonable period of time shall take into account the average rate of business growth that would have been gained from nonmisappropriated use of the misappropriated trade secret.”<sup>90</sup> Because this average rate cannot be defined with *mathematical* certainty, expert testimony will be required to predict both the state of the misappropriator’s business and the growth that the business would have experienced had the business properly acquired and used the trade secret. Additionally, the mandatory language in the provision *requires* courts to engage in this speculative analysis, which will result in longer trials, increased litigation, and increased costs.

#### IV. CONCLUSION

The General Assembly has enhanced South Carolina’s trade secret laws by drafting several provisions unique to its Trade Secrets Act. Significantly, these unique sections provide a model for other states to follow. For the most part,

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definition when it is apparent that the resulting meaning was intended, this Court is not bound to blindly give effect to the word “or,” when a disjunctive reading of the terms of the section would render meaningless a portion of the statute. Likewise, the term “or” should not be given its ordinary meaning when such an application flies in the face of a clearly contrary legislative intent.

*Id.* at 211. Unfortunately, it is not apparent that giving “or” its ordinary meaning in this situation would “fl[y] in the face of a clearly contrary legislative intent.” *Id.* However, the South Carolina Supreme Court has previously overridden a literal meaning in favor of one that was more consistent with the General Assembly’s apparent intent. *See, e.g., Browning v. Hartvigsen*, 307 S.C. 122, 126, 414 S.E.2d 115, 117 (1992) (refusing to interpret a statute according to its literal meaning, which would have made a provision retroactive, because it was clear that the General Assembly could not have intended for it to be so applied).

88. S.C. CODE ANN. § 39-8-50 (Law. Co-op. Supp. 1997).

89. § 39-8-50(A); *accord* UNIF. TRADE SECRETS ACT § 2(a) (amended 1985), 14 U.L.A. 449 (1990) (including identical language). The additional period of injunction serves to eliminate the “lead time” given the misappropriator. *See* UNIF. TRADE SECRETS ACT § 2 cmt. (amended 1985), 14 U.L.A. 450 (1990). A misappropriator’s “lead time” is the temporal advantage acquired over industry competitors that results from the misappropriation. To avoid an anticompetitive penalty against an enjoined misappropriator, the injunction is subject to termination following the dissipation of the misappropriator’s lead time. *Id.*

90. S.C. CODE ANN. § 39-8-50(A) (Law. Co-op. Supp. 1997). No other state’s trade secrets act incorporates this sentence.

the provisions addressing employee duties and employer remedies will resolve any open questions that previously existed under South Carolina's common law or its former trade secrets act. The primary statutory provision discussed in this Comment affords South Carolina businesses protection against trade secret misappropriation by their employees through the imposition of a duty not to disclose.<sup>91</sup>

The South Carolina Trade Secrets Act provides businesses with the traditional remedies for misappropriation, including damages and injunctions. However, when an employer claims trade secret misappropriation against one of its employees, the Act does not clearly state whether the business can receive both its actual loss and the unjust enrichment caused by the misappropriation, or simply one of the two. This ambiguity makes the proper remedy unclear. To clarify this uncertainty, the South Carolina General Assembly should amend the statute's language to make its intention clear. This Comment has suggested that the General Assembly amend the language to allow the potential recovery of both measures of damages, necessarily delegating to the courts the duty to prevent double recovery. Allowing employers to recover both their actual loss and the corresponding unjust enrichment maximizes their recovery, furthering the business interests that underlie the Trade Secrets Act.

While at first blush employers would appear to have the upper hand in the employer-employee relationship, employees may be better situated.<sup>92</sup> Although the employee has a clear duty of loyalty to act in the employer's best interest, this duty does little to calm the employer who must disclose its secret processes. Operation of the business requires this disclosure, leaving the business vulnerable to misappropriation. Fortunately, the Trade Secrets Act addresses employee misappropriation and solidifies protection for South Carolina employers in employer-employee relationships.

*Kirk T. Bradley*

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91. See S.C. CODE ANN. § 39-8-30(B) (Law. Co-op. Supp. 1997).

92. For an interesting argument on this point, see Terry A. O'Neill, *Employees' Duty of Loyalty and the Corporate Constituency Debate*, 25 CONN. L. REV. 681, 701-06 (1993).

